

**Annual Audit Plan
FY 2010**



**National Science Foundation
Office of Inspector General
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AUTHORIZATION

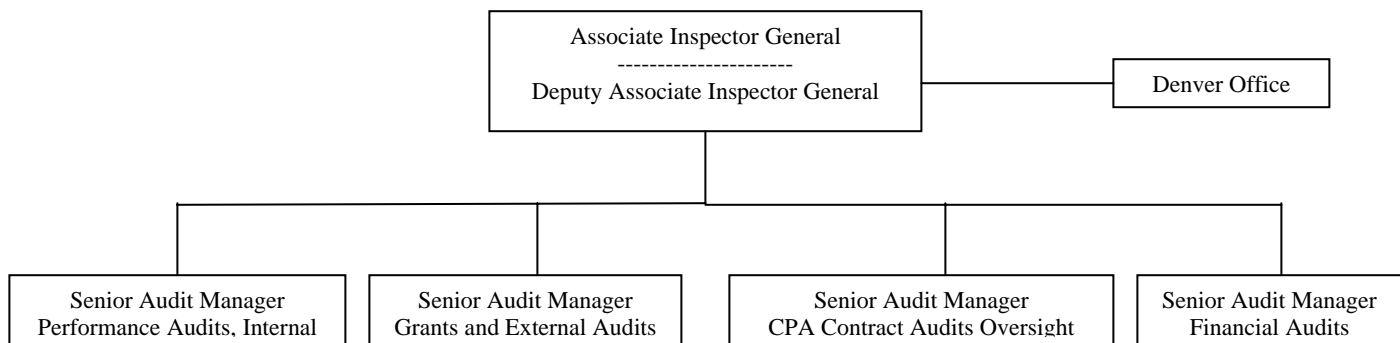
The Inspector General Act, as amended in 1988, authorizes an Office of Inspector General (OIG) for the National Science Foundation (NSF). The OIG is independent of NSF and reports directly to Congress and the National Science Board (NSB). By statute the OIG conducts and supervises independent audits and investigations relating to agency programs and operations and recommends policies that promote effectiveness and efficiency and prevent and detect fraud and abuse in such programs and operations.

OIG MISSION AND FUNCTION

Consistent with its statutory mandate and operational mission, the OIG performs an oversight role and does not engage in program operations. Its work is divided into two functional areas: audits and reviews, which assess the adequacy of business systems and processes, determine compliance with financial and federal requirements, and identify ways to improve the effectiveness and efficiency of operations; and investigations, which address allegations of serious wrongdoing, such as unauthorized use or theft of federal funds and property. In each area, the OIG strives to focus on substantive matters and work objectively and cooperatively without compromising its independence. The organizational units within OIG also collaborate to the extent necessary to carry out their separate responsibilities.

ORGANIZATION AND FUNCTION OF THE OFFICE OF AUDIT

The Office of Audit has an experienced audit and administrative staff led by the Associate Inspector General for Audit, the Deputy Associate Inspector General for Audit, and four Senior Audit Managers, as shown in the chart below:



TYPES OF AUDITS

The Office of Audit is responsible for annual audits of NSF's financial statements, which include evaluating the agency's controls over financial reporting and information system security. The office also conducts internal and external performance audits and financial and compliance audits of grants, contracts, and cooperative agreements funded by

NSF. Many of these audits are performed with internal OIG auditors, but the office also contracts with independent public accounting firms, statisticians and other expert contractors to supplement its resources. These contractors also provide expertise necessary to accomplish the office's varied and complex audit projects.

Internal performance audits assess specific NSF programs or operations and external performance audits assess awardees' operations and processes, such as the adequacy of controls over NSF awards. Both internal and external performance audits provide NSF management with independent and objective assessments of whether desired program results and objectives are achieved effectively and efficiently and in accordance with applicable laws, regulations, policies, or procedures. The audits are intended to assist NSF management and/or awardees in improving controls and business practices and to identify and manage program risks at an early stage.

Financial audits assess financial compliance with federal requirements and the adequacy of the internal controls of the audited entity. Each year a contractor hired by OIG performs an audit of NSF's financial statements. The auditors express an opinion on whether the financial statements present fairly, in all material respects, in conformity with generally accepted accounting principles, financial information such as NSF's assets, liabilities, and net costs. The auditors also report on NSF's internal controls over financial reporting. External financial/compliance audits of NSF award recipients determine whether costs claimed are allowable, reasonable, and properly allocated. They also may ascertain whether awardees have adequate internal controls to administer, account for, and monitor NSF awards and to ensure compliance with NSF and federal requirements.

Contract audits include audits of planned, current, or completed contract awards. Preaward contract audits determine if prospective contractors have adequate systems to manage and account for NSF funds and have submitted adequate cost and pricing data. They also determine if bidders' proposals are prepared in accordance with applicable federal requirements and cost accounting standards and if their proposed costs are reasonable. Active-contract audits review whether incurred costs are allowable under the terms and conditions of the contract, as well as the adequacy of the accounting systems used to claim the costs. Closeout audits determine if costs incurred on expired contracts are allowable.

OIG audits, whether performed in-house or conducted by independent public accounting firms or government auditors under contract with OIG, are performed in accordance with the Controller General's Government Auditing Standards.¹ These Standards are designed to ensure the integrity and competency of the audit process and the quality of the audit report.

¹*Government Auditing Standards* (2007). OIG Offices are required by statute to conduct audits under these standards.

Oversight of A-133 Audits

The office also reviews annual audit reports of NSF grantees. These audits are conducted in compliance with the Single Audit Act and Office of Management and Budget (OMB) Circular A-133, which requires non-federal entities expending \$500,000 or more in federal funds in a year, to obtain an audit by an independent public accounting firm or state auditor of their financial statements and compliance with federal award requirements. The purpose of the audits is to provide federal agencies with information on how government funds are managed and spent.

The Office of Audit reviews these resulting audit reports for findings and questioned costs related to NSF awards and to ensure the reports comply with OMB Circular A-133 requirements. The office also performs quality control reviews of some of these A-133 audits to assess the quality and reliability of the independent public accountant's work as a basis to support the single audit report.

FY 2010 AUDITS

OIG audits focus on issues of substantial concern to the Congress, the Administration, and NSF. To identify these issues the Office of Audit researches a number of sources including applicable federal statutes, Congressional documents, Executive branch guidance, and reports issued by other stakeholders. The OIG also solicits audit ideas from NSF and the NSB annually. To develop the audit plan for FY 2010 specifically, the OIG referred to:

- Statutes, such as the American Recovery and Reinvestment Act of 2009 (ARRA), The America COMPETES Act of 2007, and the Government in the Sunshine Act (1976);
- Requests from Congress, the Recovery Act Transparency Board, the NSB, and NSF;
- OIG reports of NSF's top management challenges;² and
- OIG risk analyses of NSF awards and awardees, and in particular, awards and awardees receiving ARRA funds.

The analysis of these diverse sources resulted in three topics for FY 2010 audits and reviews: 1) NSF and its awardees' management of \$3 billion received under ARRA; 2) Human resource issues, such as workforce and workload management; and 3) Financial and/or programmatic accountability, including NSF's management of grantees' conflicts of interest, and its administration of contracts. By addressing these topics in FY 2010 audits, the Office of Audit will respond to concerns of the Administration and Congress and assist NSF in realizing the vision and goals in its FY 2006-2011 Strategic Plan, *Investing in America's Future*.

² This Audit Plan refers to the challenges discussed in OIG's *Management Challenges for NSF in FY 2009*, issued October 16, 2008.

The American Recovery and Reinvestment Act

In response to the recent and most serious financial and economic crisis since the 1930's, the U.S. Congress took extraordinary actions to stimulate the American economy and prevent a severe recession from worsening. On February 17, 2009, the American Recovery and Reinvestment Act of 2009 (ARRA) was enacted. It is designed to preserve and create jobs; stimulate infrastructure investment, energy efficiency, and science; provide assistance to the unemployed; and stabilize state and local governments fiscally. The overall goal of the Act is to lay the foundation for a strong, sustainable 21st century economy. To ensure the \$787 billion funded under ARRA is used as intended, the Act requires unprecedented levels of accountability, transparency, and oversight.

NSF received \$3 billion of ARRA funds. This was in addition to the \$6.5 billion of funds NSF also received under its Fiscal Year (FY) 2009 appropriations. Such a significant increase of funds in a short period of time greatly increased NSF's and its awardees' risk, as both faced the challenges of managing, accounting for and reporting on these highly visible funds with little or no additional staff or system resources.

NSF has oversight responsibility to ensure that its awardees have the capability to manage their funded projects successfully to minimize the risks that anticipated research goals may not be achieved or that funds may not be spent properly. With ARRA awards, these risks were compounded. NSF's stakeholders expect it not only to determine awardees' programmatic capability to receive awards but also to have a rationale for how proposals received prior to ARRA, but funded with ARRA funds, meet the goals of the Act. Similarly, NSF is expected to ensure that prospective awardees have the financial systems and internal controls capability to account for these additional federal funds and to meet the specific ARRA reporting requirements. An institution that could manage existing NSF awards might have difficulty overseeing its new NSF portfolio if the number and/or dollar amount increased substantially because of ARRA. Further, some of NSF's current awardees have known weaknesses in managing federal funds, which could be exacerbated with ARRA funds.

Post-award responsibilities and risks also increased under ARRA. Agencies and awardees must report their ARRA activities, accomplishments, and expenditures on websites, enabling public scrutiny of their federal spending programs unlike they have ever experienced. NSF has to post weekly financial and activity reports on federal and NSF *Recovery.gov* websites. Also, recipients of ARRA funds must report financial and compliance data on *FedReporting.gov* 10 days after the end of each calendar quarter, beginning with the quarter ending September 30, 2009. OMB has required agencies to undertake limited checks of the quality of the data that award recipients submit. Because awardees have only 10 days after the end of each calendar quarter to submit the reports, there is a risk that the information may not be accurate or complete.

The Act also provides for layers of oversight from multiple entities, including the Recovery Accountability and Transparency Board (RATB) and individual Offices of Inspector General. The RATB received \$84 million of ARRA funds to carry out

government-wide oversight of ARRA programs and NSF OIG received \$2 million of ARRA funds specifically to review how NSF and its awardees use the \$3 billion of ARRA funds received by the agency. Thus, in FY 2010 the Office of Audit will devote considerable resources to the assessment of ARRA activities. The RATB is expected to continue requiring the Office to perform specific audits and reviews, such as assessing the quality of the data being reported under the Act. In addition, the Office will undertake its own assessments of both NSF and awardee activities, expenditures, and required reporting under the Act. Audits or reviews on ARRA issues planned for FY 2010 are shown on the next page.

<i>Program Area</i>	<i>Assignment</i>	<i>Focus</i>
		Performance
Foundation Wide	Audit of the use of ARRA funds for selected large facility construction projects*	Audit to determine whether NSF and awardees have implemented adequate controls to ensure large facility projects funded by ARRA have received adequate planning and review prior to moving to the construction phase.
Foundation Wide	Data Quality Review*	Review will determine if NSF has established a process for limited reviews of data quality in the quarterly reports submitted by recipients of ARRA funds.
		Financial/Administrative
Foundation Wide	Capacity reviews	Series of limited scope reviews to assess whether awardees have the capacity to manage ARRA funds and to comply with the increased accounting and reporting requirements of the Act.
Foundation Wide	Audits of proposal costs for the construction of two large facilities that are receiving ARRA funding	Audits to determine whether facility cost estimates are reasonably reliable and were prepared in accordance with awardees' cost accounting policies and applicable cost accounting disclosure statements. Audits will also determine whether the awardees can separately account for and accurately report on ARRA funds supporting the construction efforts.
Foundation Wide	Audits of ARRA awards to various recipients	Audits will determine whether awardees have adequate systems to safeguard and properly account for NSF funds and comply with NSF grants terms and conditions and with federal requirements, including ARRA reporting requirements.

*Represents on-going work

NSF Human Resource Issues

The Senate Appropriations Committee recently identified NSF's human resource management as an area of concern.³ The Committee specifically focused on NSF's use of temporary employees in key positions. It was concerned that frequent turnover at the highest levels of the agency resulted in inadequate oversight and morale problems. More generally, however, the Committee was concerned about overall human resources management at NSF and the need for improved current policies and practices "to deter the possible creation of a hostile workplace environment."⁴ Consequently, the Committee directed NSF within 60 days of the enactment of the FY 2010 appropriations bill to provide it with a plan for improving human relations at the agency. The Committee also directed the OIG to provide it with a report assessing NSF's use of temporary employees working at NSF under the Intergovernmental Personnel Act (IPA) and NSF's Visiting Scientists Engineers and Educators (VSSE) program. The Committee's recent directives underscore OIG reports to Congress on NSF management challenges, stating that workload management, and in particular, the use of large numbers of temporary employees in key programmatic and management positions, poses a management challenge for NSF.

NSF's Rotator Model

About 60 percent of NSF's 520 program officers are non-permanent employees.⁵ The largest group of non-permanent program officers consists of IPAs, who are scientists, engineers and other highly skilled personnel from non-federal entities such as research universities, with NSF appointments of up to four years under the Intergovernmental Personnel Act. In addition, NSF "rotators" include VSSEs, who are visiting scientists, engineers and educators on loan from home institutions for up to two years. The Senate Appropriations Committee expressed concerns about NSF's extensive use of rotators, because although they bring fresh scientific insights to NSF, they create "gaps in management oversight."⁶ The NSF OIG has also identified NSF's rotator model as a continuing training and management challenge for the agency.⁷

In addition, the Office of Personnel Management has noted that certain NSF practices with regards to rotators assigned to the agency under the Intergovernmental Personal Act did not comply with Senior Executive Service (SES) regulatory

³ Senate Appropriations Committee Report for the Departments of Commerce and Justice, and Science, and Related Agencies Appropriations Bill, 2010, Report No. 111-34, June 25, 2009, pp. 130-131.

⁴ Ibid., p. 131.

⁵ As of October 1, 2008, of a total of 520 program officers, 215 (41 percent) were permanent, 47 (9 percent) were Visiting Scientists, Engineers and Educators (VSSE); 46 (9 percent were temporary) and 212 (41 percent) were rotators with Intergovernmental Personnel Act (IPA) appointments.

⁶ Senate Appropriations Committee Report No. 111-34, p. 131.

⁷ NSF OIG *Semiannual Report to Congress*, September 2008, pp. 59-60; *Semiannual Report to Congress*, September 2007, p. 55; *Semiannual Report to Congress*, September 2006, p. 53; *Semiannual Report to Congress*, September 2005, pp. 53-54; *Semiannual Report to Congress*, September 2004, p. 50 (referring to *Audit of Costs Associated With Visiting Personnel*, OIG Report No. 04-2-006, July 23, 2004).

requirements.⁸ For example, OPM found instances in which IPAs were placed in NSF positions reserved for career employees or paid salaries that exceeded the SES salary caps.

In FY 2010 the OIG will respond to the Committee's request to provide it with a report evaluating the supervisory expectations, responsibilities, and training of rotators and how NSF uses and trains these temporary employees as program officers and senior program staff.

Workload

Since 2004, the OIG has reported in its Semiannual Reports to Congress that workload management is an NSF management challenge.⁹ Although the number of proposals NSF received from FY 2004 to FY 2008 only increased from 43,851 to 44,428, about 1 percent, the number of pre-proposals over those years increased from 2,310 to 3,203, or 39 percent. The proposals have also increased in complexity because more involve interdisciplinary and cross-directorate programs. To process the increase in pre-proposals and full proposals from FY 2004 to FY 2008, the number of program officers increased 35 percent.¹⁰ NSF needs to ensure that the number of program officers increases commensurately with the increase in proposal workload, or it risks a declining quality of merit review, which is the cornerstone of its award selection process, or potential program officer burnout.

NSF's Budget, Finance and Award Management staff also have increasing workloads. NSF funded 10,380 awards in FY 2004 and 11,149 in FY 2008, a 7 percent increase. However, in FY 2009, NSF made 4,657 awards with ARRA funds and 9,955 awards with FY 2009 funds, or a total of 14,612 awards, an increase of 41 percent over the number in FY 2004. NSF did not receive any additional funds to accommodate the increase in workload resulting from the Act. Further, although NSF expects the number of awards in FY 2010 to be 12,850, which is 1,762 less than the number it funded in FY 2009 under ARRA and the FY 2009 appropriations combined, the anticipated number of awards in FY 2010 is still 24 percent higher than the number of awards in FY 2004. Processing and monitoring this larger number of awards increases the workload of NSF's financial and administrative staff throughout the award lifecycle. If this staff is not adequate to manage and oversee NSF's increasing workload, the agency risks funding awardees that mispend federal funds or do not comply with federal and NSF requirements.

⁸ U.S. Office of Personnel Management, *National Science Foundation: Use of the Intergovernmental Personnel Act*, August 2004.

⁹ NSF OIG *Semiannual Report to Congress*, September 2008, pp. 59-60; *Semiannual Report to Congress*, September 2007, pp. 54-55; *Semiannual Report to Congress*, September 2006, pp. 52-54; *Semiannual Report to Congress*, September 2005, pp. 52-54; *Semiannual Report to Congress*, September 2004, pp. 50-51.

¹⁰ The number of program officers from 2004-2008 is as follows:

Year	Number
2004	385
2005	400
2006	438
2007	452
2008	520

Thus, the total increase in the number of program officers from 2004-2008 is 35 percent.

To accommodate its growing and increasingly complex workload, and specifically to manage the increasing number of proposals and its expanding award oversight and management responsibilities, NSF requested in its FY 2010 Budget Request to Congress 45 additional full-time equivalent (FTE) positions agency-wide.¹¹ NSF also requested \$12.24 million, an increase of 20.6 percent over the FY 2009 Plan, to manage its human capital. This budgeted amount included requests for contractor services in three areas. Specifically, NSF requested \$450,000 for a comprehensive workload analysis and associated systems design expertise; \$640,000 for contractor assistance and for systems to address workforce and succession planning needs and to ensure compliance with the Office of Personnel Management's Human Capital Management guidelines; and \$1 million for the development and implementation of an agency-wide competency model and talent management learning maps to identify competencies and create a database and recruitment tools to assist both management and staff match competencies with NSF's needs.

NSF recently completed a workforce survey requested by the RATB. The survey was designed to determine the adequacy of NSF's workforce to meet the increased workload of ARRA. OIG has sent the survey to the Board and is now assessing the survey responses for a report to NSF. In FY 2010 the Office of Audit will examine workload issues more broadly to determine the adequacy of NSF's plans to meet its current and projected future needs.

To address human-resource issues the audits planned in FY 2010 are described on below.

<i>Program Area</i>	<i>Assignment</i>	<i>Focus</i>
		Performance
Foundation Wide	Workforce Management-Rotating Staff Model*	Review to determine the number and placement of rotators and their responsibilities, including supervisory responsibilities, and whether their placements are consistent with federal requirements and their training is adequate.
Foundation Wide	NSF Workload	Review to determine if NSF has adequate plans to identify and address its award management and oversight workload needs.

*Represents on-going work.

¹¹ FY 2010 Budget Request to Congress, May 7, 2009, AOAM, p. 5.

Financial and/or Programmatic Accountability

NSF is accountable for the quality, integrity and performance of its research programs and stewardship of its annual appropriations. This accountability is mandated by NSF's chartering legislation and numerous other laws including the Budget and Accounting Procedures Act, the Federal Managers Financial Integrity Act, the Chief Financial Officer Act, the Federal Financial Management Improvement Act, and various OMB Circulars. In addition, the Government in the Sunshine Act, which applies to the National Science Board, requires public access to Board Meetings¹² and the America COMPETES Act of 2007 requires that OIG conduct an audit of the Board's compliance with the Sunshine Act triennially.

NSF's Grant General Conditions place full responsibility for the conduct of NSF awards and for adherence to award terms and conditions on awardee institutions. However, NSF needs to oversee its awardees to ensure that they comply with this responsibility. As such, NSF must have adequate policies and procedures to monitor its awards and minimize the risks of suboptimal programmatic performance and ineffective resource allocation. It also needs to reduce its risk of funding costs that are not allowable or related to the award on which they are claimed.

In addition, NSF must have good internal business processes. The agency is required to prepare annual financial statements, which must be audited. This audit also includes reviewing NSF's internal controls over financial reporting and its compliance with its financial management systems' requirements specified in the Federal Financial Management Improvement Act of 1996. Also, in accordance with The Federal Information Security Management Act of 2002 (FISMA), NSF is required to report yearly on computer security. Internal programmatic and operational accountability are critical not only to ensure that NSF complies with federal requirements but also to ensure that it fulfills its mission effectively and efficiently.

Conducting audits to evaluate financial and/or programmatic accountability is central to the OIG mission of preventing and detecting fraud, waste, and abuse and promoting effectiveness, efficiency, and economy. In FY 2010, the Office of Audit plans to complete its audits of NSF's financial and programmatic oversight of center programs¹³ and its processes for resolving audit findings and recommendations. The Office also plans to complete its series of audits of labor effort reporting at major universities. In addition, it will oversee and manage the audit of NSF's financial statements and the evaluation of NSF's computer security. The Office will also conduct an audit of the NSB's compliance with the Government in the Sunshine Act. Other required audit work for FY 2010 include desk reviews of Single Audits of entities for which NSF has cognizance and a quality control review of one of these Single Audits to assess the quality of the audit work

¹² In accordance with the NSF Authorization Act of 2002, the Board is required to allow public access not only to full-Board meetings but also to committee meetings.

¹³ Centers are created to address complex research problems that require equipment, facilities and students that only academic research centers can provide.

performed by the responsible independent public accounting firm. Financial and compliance audits at various NSF awardee institutions will also be performed to determine if these institutions can effectively manage and account for NSF funds in accordance with federal and NSF requirements.

In addition, in FY 2010 the Office will perform audits to address two areas of risk to NSF: conflicts of interest and contract administration. Both of these issues are central to NSF's mission to fund objective, high quality research. If NSF does not have adequate policies and procedures to manage conflict of interests, it jeopardizes its reputation for funding objective research. If NSF does not manage its processes for awarding, overseeing and closing out its contracts effectively, it risks receiving deliverables of lesser quality than expected, cost overruns, and payment for expenses that are not permissible under federal requirements.

Conflicts of Interest

Conflicts of interest among NSF researchers can undermine the integrity of NSF's research program. The Senate has expressed concern about possible conflicts of interest among awardees, program officers and panelists.¹⁴ When a U.S. Senator reported to NSF's Director in November 2008 about a specific conflict of interest at an NSF awardee, the Director responded that NSF took the Senator's concerns "very seriously." Further, the Senator expressed concern that there might be more widespread conflicts of interest problems at NSF, similar to those reported at the National Institutes of Health (NIH).¹⁵ Specifically, the Department of Health and Human Services OIG found that NIH was not able to provide an accurate count of financial conflict-of-interest reports it received from grantees, was not aware of the kind of financial conflicts of interest that existed at grantee institutions, and that for oversight of conflicts of interest many of the Institutes relied primarily on grantee institutions' assurances that regulations were followed. Thus, at the Senator's request, the OIG will determine the nature and number of financial conflicts of interest that awardees report to NSF and how NSF oversees and manages such conflicts.

Contract Administration

Multiple OIG Semiannual Reports to Congress have stated that contract administration is an NSF Management Challenge, because NSF lacked a comprehensive risk-based approach to oversee contracts and ensure contract requirements were being met.¹⁶ In addition, the September 2009 Semiannual Report to Congress reports \$56 million of questioned contract costs that had not been resolved within six months of audit-report issuance. It also reports that on a contract in which auditors questioned \$2.4 million of the \$19 million of costs claimed by the contractor, there was evidence that NSF needed

¹⁴ Senate Appropriations Committee Report No. 111-34, p. 131.

¹⁵ Department of Health and Human Services, Office of Inspector General, *National Institutes of Health: Conflicts of Interest in Extramural Research*, January, 2008.

¹⁶ NSF OIG *Semiannual Report to Congress*, September 2008, p. 56; *Semiannual Report to Congress*, September 2007, p. 53; *Semiannual Report to Congress*, September 2006, pp. 51-52; *Semiannual Report to Congress*, September 2005, pp. 57-58.

to improve contract administration, and specifically its processes for approving subcontracts and managing cost overruns.

Through contracts, NSF purchases service and software, statistical services for specialized reports and basic business equipment, such as desks, computers and office supplies. In FY 2008, NSF obligated approximately \$379 million for products and services from outside contractors,¹⁷ including an estimated \$201 million provided through advance payments to three contractors. Without adequate contract administration, NSF risks overpaying for claimed contract costs and non-compliance with federal and NSF requirements.

Cost-reimbursable contracts, which NSF routinely uses, increase contracting risks. Unlike fixed price contracts, in which the government pays the price agreed to when the contract is signed, cost reimbursable contracts require that the government pay a contractor for allowable incurred costs specified in the contract.¹⁸ With fixed price contracts, the risk of cost escalation falls on the contractor; with cost reimbursable contracts, the risk of cost escalation falls on the government. Under cost-reimbursable contracts, the contractor has less incentive to control and manage its costs. Thus, NSF's frequent use of cost reimbursable contracts exposes NSF and ultimately U.S. taxpayers to a high risk of cost escalation.

NSF's Financial Statement Audit first reported monitoring and administration of contracts as an internal control deficiency in FY 2004. After NSF made improvements in contract administration, the Financial Statement auditors reduced the finding on contract administration in the FY 2008 Financial Statement Audit to a management letter comment. The Management Letter reported that NSF still needed to include policies and procedures for contract-closeout in its Contracts Manual and ensure they are implemented. The Letter also said that NSF should develop policies and procedures requiring contracting officers to ensure that contractors submit incurred cost reports and to review the accuracy of the reports. NSF also needed to develop policies and procedures to obtain periodic validation of incurred costs on material and high risk contracts.

In addition, the Letter recommended that NSF expand the scope of quarterly reviews of contracts to determine the accuracy of costs in contractors' general ledgers. Further, NSF should continue working on the resolution of findings in the audit of costs claimed by NSF's largest contractor in FY 2000-FY 2004 and obtain incurred cost audits of that contractor for subsequent years. Finally, the Letter recommended that NSF address certain contract file deficiencies. The OIG subsequently reported that NSF had submitted adequate corrective action plans to address all but two of the recommendations. NSF still is consulting with the Defense Contract Audit Agency, which performed the quarterly reviews of contracts, to determine what additional procedures are needed.¹⁹ In FY 2010

¹⁷ This number does not include approximately \$182.1 million in Interagency Agreements.

¹⁸ Under cost-reimbursable contracts there is no guarantee that the contractor will provide the government with final products or services within the total costs estimated in the contract; the contractor only has to make a good faith effort to do so.

¹⁹ The other unresolved recommendation pertains to accounting for intragovernmental transactions.

the Financial Statement auditors will continue to evaluate NSF's resolution and implementation of corrective actions for recommendations in the FY 2008 Management Letter.

Additionally, in FY 2010, the Office of Audit will review NSF's contract administration function in more depth, including an assessment of the effectiveness and efficiency of processes of the preaward, post-award and closeout processes.

Antarctic Services Contract

NSF plans to select a contractor for the United States Antarctic Program (USAP) support contract in FY 2010. The current contract expires March 31, 2010, but NSF plans to extend it until March 31, 2011, and to award a new contract in the summer of 2010. The selected contractor will provide operations, maintenance, logistics, and support services for USAP. This contract involves significant risks to NSF because of the large dollar amount involved, its duration, prior findings in audits of the current contract, including \$55.5 million of questioned costs, and the high profile of the USAP program. Members of Congress frequently visit USAP facilities in Antarctica and are keenly interested in NSF's Antarctic program.

Because of the risks associated with the procurement of the Antarctic Services Contract, the OIG Office of Audit issued a memo to NSF in August 2009 recommending that the agency obtain full proposal audits for all proposals in the competitive range. Such audits would, depending on prior audit coverage, assess the adequacy of 1) the offerors' and their subcontractors' accounting systems to account for, segregate, and report the use of NSF contract funds; 2) the offerors' Cost Accounting Standards (CAS) disclosure statements, if no adequacy determination has been made or the CAS disclosure statement is new; and 3) the offerors' system to account for and utilize property purchased with federal funds in accordance with NSF requirements. In FY 2010, the Office will continue to monitor NSF's selection process and has offered to provide assistance in structuring the statements of work for the proposal audits and to review draft audit reports.

The audits planned in FY 2010 that focus on financial and/or programmatic accountability are described on the next page.

<i>Program Area</i>	<i>Assignment</i>	<i>Focus</i>
		Performance
Foundation Wide	Conflict of Interest	Review to determine the number and nature of financial conflicts of interest reported by grantee institutions to NSF and how NSF monitors and addresses reported financial conflicts of interest.
Division of Acquisition and Cooperative Support	Contract Administration	Review to assess NSF's processes to manage and administer its contracts.
Office of Polar Programs	Antarctic Support Contract*	Oversight of NSF's processes for recompeting and awarding an FY 2010 contract to provide logistical support and services to the U.S. Antarctic Program (USAP).
Foundation Wide	Audit of NSF's Financial and Programmatic Oversight of Center Programs*	Audit will determine if NSF receives appropriate financial and programmatic information from the centers it funds and if it effectively uses this information to monitor and oversee the centers' programs.
Office of Budget, Finance and Award Management	Audit of NSF's audit resolution process*	Audit will determine whether NSF has adequate procedures and has taken effective corrective action on grantee audit report findings and recommendations.
Foundation Wide	The Government in the Sunshine Act audit	The National Science Board holds meetings that are subject to the requirements of the Government in the Sunshine Act. This audit will assess the Board's compliance with the Act.
		Financial/Administrative
Foundation Wide	Audits of Labor effort reporting at major universities*	Continuing series of audits to examine major research universities' controls over and compliance with federal time and effort accounting and reporting requirements. A summary report will be issued after the audits are completed.
Foundation Wide	Audits of various universities, non-profits and for-profit entities	Audits will determine whether awardees have adequate financial systems to safeguard and adequately account for NSF funds and comply with federal and NSF grant requirements.

<i>Program Area</i>	<i>Assignment</i>	<i>Focus</i>
		Financial/Administrative
Foundation Wide	Oversight of FY 2010 Financial Statement Audit	Oversight of the audit of NSF's agency-wide financial statements, which will be performed by an independent public accounting firm under contract to the OIG. The audit is mandated under the Chief Financial Officers Act of 1990.
Foundation Wide	FY 2010 FISMA Review and FISCAM Audit	Annual evaluation of NSF's information system security program and practices as required by the Federal Information Security Management Act of 2002 (FISMA). Evaluation performed as part of the FY 2010 CFO Audit.
Foundation Wide	Desk reviews of Single Audits	Auditors will perform desk reviews of A-133 audit reports on organizations for which NSF has cognizance or oversight responsibilities.
Foundation Wide	Quality Control Review (QCR) of a Single Audit	QCR of a Single Audit of an NSF awardee institution to determine the quality of the audit as a basis for reliance by federal grant-making agencies.

*Represents on-going work